



**Megasoft Limited**  
**Audited Financial Results for eighteen months period ended 31st December 2003**

Rs lakhs

|    | Particulars  | Unaudited                                   |               |             | Audited                                     |   | Audited Consolidated                        |   |
|----|--|---|---------------|-------------|---|---|---|---|
|    |  | 15 months<br>period<br>ended<br>30-Sep-2003 | Quarter ended |             | 18 months<br>period<br>ended<br>31-Dec-2003 | 15 months<br>period<br>ended<br>30-Jun-2002 | 18 months<br>period<br>ended<br>31-Dec-2003 | 15 months<br>period<br>ended<br>30-Jun-2002 |
|    |  |   | 31-Dec-2003   | 31-Dec-2002 |   |   |   |   |
| 1  | Sales / Services   | 3,405                                       | 948           | 761         | 4,353                                       | 3,818                                       | 7,974                                       | 3,991                                       |
| 2  | Other Income   | 3   | 0             | 0           | 3   | 58  | 78  | 59  |
| 3  | <b>Total Income (1 + 2)</b>                                | <b>3,408</b>                                | <b>948</b>    | <b>761</b>  | <b>4,356</b>                                | <b>3,876</b>                                | <b>8,052</b>                                | <b>4,050</b>                                |
| 4  | Personnel Expenses   | 2,461                                       | 545           | 576         | 3,006                                       | 2,998                                       | 6,082                                       | 3,293                                       |
| 5  | Operating & Administration Expenses                        | 571   | 157           | 86          | 728   | 627   | 1,110                                       | 591   |
| 6  | (Increase) / Decrease in Inventories                       | (115)                                       | 113           | (1)         | (2)   | (272)                                       | (2)   | (272)                                       |
| 7  | <b>Total Expenditure (4 + 5 + 6)</b>                       | <b>2,917</b>                                | <b>815</b>    | <b>661</b>  | <b>3,732</b>                                | <b>3,353</b>                                | <b>7,190</b>                                | <b>3,612</b>                                |
| 8  | <b>Operating Profits (PBIDT) (3 - 7)</b>                   | <b>491</b>                                  | <b>133</b>    | <b>100</b>  | <b>624</b>                                  | <b>523</b>                                  | <b>862</b>                                  | <b>438</b>                                  |
| 9  | Financial Expenses   | 165   | 28            | 33          | 193   | 249   | 286   | 250   |
| 10 | Depreciation & Amortisation                                | 290   | 67            | 60          | 357   | 262   | 391   | 266   |
| 11 | <b>Profit before Tax (8 - 9 - 10)</b>                      | <b>36</b>                                   | <b>38</b>     | <b>7</b>    | <b>74</b>                                   | <b>12</b>                                   | <b>185</b>                                  | <b>(78)</b>                                 |
| 12 | Provision for taxation                                     |   |               |             |   |   |   |   |
|    | Current Tax  | 0   | 0             | 0           | 0   | 0   | (9)   | 0   |
|    | Deferred Tax   | 0   | 9             | 0           | 9   | (1)   | 9   | (1)   |
| 13 | Profit after Tax before prior period adjustments (11 - 12) | 36  | 47            | 7           | 83  | 11  | 185   | (79)  |
|    | Less : Prior period adjustments                            | 0   | 0             | 0           | 0   | (45)  | 0   | (45)  |
| 14 | Net Profit after Tax after prior period adjustments        | 36  | 47            | 7           | 83  | (34)  | 185   | (124)                                       |
| 15 | Paid-up Equity Share Capital (Rs.10 per share)             | 1,512                                       | 1,512         | 1,512       | 1,512                                       | 1,491                                       | 1,512                                       | 1,491                                       |
| 16 | Reserves excluding revaluation reserves                    |   |               |             | 1,075                                       | 879   | 1,057                                       | 760   |
| 17 | Earnings per Share (Rs) (not annualised)                   |   |               |             |   |   |   |   |
|    | Basic  | 0.24  | 0.31          | 0.05        | 0.55  | 0.08  | 1.23  | (0.59)                                      |
|    | Diluted  | 0.24  | 0.31          | 0.05        | 0.55  | 0.08  | 1.23  | (0.59)                                      |
| 18 | Aggregate of non-promoters' shareholding                   |   |               |             |   |   |   |   |
|    | Number of Shares   | 7,355,677                                   | 7,464,611     | 7,355,677   | 7,464,611                                   | 7,148,602                                   | 7,464,611                                   | 7,148,602                                   |
|    | Percentage of holding (to total holding)                   | 48.7%                                       | 49.4%         | 48.7%       | 49.4%                                       | 47.9%                                       | 49.4%                                       | 47.9%                                       |



**Notes:**

1. The current Financial Year of the Company has been extended to end on 31st December 2003 for which the required approvals have been obtained from the authorities concerned. Hence, the Financial Year 2002-03 of the Company is for a period of 18 (Eighteen) months i.e. from 1st July 2002 to 31st December 2003.
2. During the current Financial Year, the Company acquired all the shares of Megasoft Consultants, Inc., US for US\$ 600,000 and hence, has become a wholly-owned subsidiary of the Company, effective 1st January 2003.
3. The consolidated financial results of the Company and its wholly-owned foreign subsidiaries are prepared in accordance with Accounting Standard (AS-21) on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
4. The consolidated financial results of the Company for the 18 months period ended 31st December 2003 include results of its wholly-owned subsidiaries at Singapore, Malaysia and Hong Kong and effective 1st January 2003 Megasoft Consultants Inc, USA along with its subsidiaries at UK, Germany, The Netherlands, Australia and New Zealand. The accounts of the subsidiaries have been audited by the local Auditors of the respective subsidiary as per the laws of that country. However, the consolidated financial results for the previous financial period ended 30th June 2002 (15 months) include financials of the Company and its wholly owned subsidiaries at Singapore, Hong Kong and Malaysia. Hence, they are not directly comparable.
5. The Board of Directors co-opted Mr S Rajeev, former Director of Strategic Alliances of Sun Microsystems, India and Mr Ben Hu, ex-CTO of World Bank as additional directors on the Board of the Company effective 29th August 2003. The Board reappointed Mr D Sudhakar Reddy as Whole-time Director for a period of five years effective 1st September 2003. Mr S Rajagopal Reddy resigned as Whole-time Director on 31st August 2003. However, he continues as a director on the Board of the Company. Consequently, the size of the Board has increased to seven directors.
6. The Company has been assessed by KPMG at the Maturity Level 4 of the Capability Maturity Model (CMM) for Software, Software Engineering Institute (SEI), Carnegie Mellon University, USA. The scope of the assessment covered "Development and Maintenance of Software Solutions covering Legacy, Client-server, Internet, Enterprise and Emerging Technologies."
7. During the current financial period, the Company has reviewed the segmental reporting as its business is mainly in the "Information Technology Services" which constitute one single primary segment. Hence, segment-wise figures are not furnished.
8. Operating & Administration Expenses include Net Exchange Loss of Rs.3.84 lakhs for the quarter and Rs.105.17 lakhs for the eighteen months period ended 31 December 2003.
9. No investor complaints were pending either at the beginning or at the end of the quarter. None were received during the quarter.
10. The Company allotted on 12th June 2002, 42,60,200 Equity Shares of Rs.10 each for cash at a premium of Rs.15 per share aggregating to Rs.1065.05 lakhs on Rights basis in the ratio of two shares for every five shares held on the record date i.e. 26th February 2002. The funds raised from the Rights Issue have been utilised as follows:

|                              | Projected utilisation<br>as per Letter of Offer | Actual Utilisation |
|------------------------------|---|--------------------|
|                              | Rs lakhs  | Rs lakhs           |
| Repayment of Unsecured Loans | 900.00  | 901.00             |
| Rights Issue Expenses        | 15.00   | 9.80               |
| Working Capital margin       | 150.05  | 154.25             |
|                              | 1,065.05  | 1,065.05           |

11. The Company allotted on 4th October 2002, 2,07,075 Equity Shares of Rs.10 each for cash at a premium of Rs.60 per share aggregating to Rs.144.95 lakhs on preferential basis pursuant to the approval of the Shareholders at the Extra-ordinary General Meeting held on 14th August 2002. The proceeds from the Issue were utilised for working capital as stated in the objects of the Issue.



12. The Board of Directors at their Meeting held on 20th January 2004 approved the merger/amalgamation of XIUS India Limited, engaged in the business of providing intellectual property led IT services to the telecom vertical, effective 1st January 2004 with the Company at an Exchange Ratio of 5:2 based on the recommendations of Price Waterhouse, Chartered Accountants. The Company has filed necessary Petitions with the Honourable High Courts of Madras and Hyderabad, in this regard. As per the directions of the Hon'ble High Court of Madras an Extra-ordinary General Meeting of the Shareholders of the Company has been convened on the 15th day of April 2004 for approval of the Scheme of Amalgamation. The Hon'ble High Court of Andhra Pradesh has ordered dispensation of the Extra-ordinary General Meeting based on the Affidavits of the Shareholders of XIUS India Limited and consequent to which the Company Petitions have been filed with the Court.
13. Previous periods' figures have been regrouped wherever necessary.
14. The above results were taken on record at the Board of Directors Meeting held on 31st March 2004.

By Order of the Board  
for **MEGASOFT LIMITED**

**D Sudhakar Reddy**  
*Whole-time Director*

Registered Office:  
96, Dr Radhakrishnan Salai  
Mylapore  
Chennai 600 004